STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

March 4, 2014

HB 5363, An Act Prohibiting Gender Discrimination For Long-Term Care Insurance Policies

The Insurance Association of Connecticut, IAC, is opposed to HB 5363, An Act Prohibiting Gender Discrimination for Long-Term Care Insurance Policies. HB 5363 seeks to unnecessarily prohibit insurers that issue long-term care policies from using gender for underwriting and rating of such policies, both prospectively and retroactively.

Charging gender appropriate rates is very important to the financial management of the long-term care insurance business and to maintain fairness and equity between classes of business. Most long-term care insurance products are individually underwritten therefore, risk classification is critically important to the current private long-term care insurance market. Connecticut should not arbitrarily limit insurer's flexibility in matching pricing to future expected utilization.

The underwriting and pricing of insurance products, including long-term care products, is done utilizing existing data and experience to predict future claims. Companies must be able to maintain the ability to identify risk classes and price them accordingly. A company's ability to adequately identify and price insurance risks contributes to the long-term stability of the product and the resulting market. This is especially true for long-term care products that are issued typically decades before any claims are made.

The use of gender-based factors for underwriting and rating purposes for long-term care insurance has long been considered an equitable practice because it is based on experience that shows a significant difference between men and women. There is ample actuarial data, developed over decades, that demonstrates that the utilization of long-term care benefits by women far exceed that of men, making women more expensive to insure. Women live longer than men; they are more likely to need long-term care services then men; and they claim long-term benefits for longer periods then men.

Prohibiting insurers the ability to rely on actuarially justified criteria will not result in cost savings for anyone. Such a prohibition will lead to adverse selection, as insurers will have to use a unisex rate for all policyholders which will be reflective of the greater risk. As such, the group that actually presents a lower risk factor will be paying more than what their risk actually is, de-incentivizing their purchase of the product. Meanwhile, the group that has a greater risk propensity will have a stronger incentive to buy coverage because they cannot be underwritten or charged for the risk they present.

Furthermore, HB 5363 seeks to make the gender prohibition reach back to existing in-force policies, policies that could be decades old. Long-term care insurance, unlike many other insurance products, are issued on a guaranteed renewal basis. As such they are underwritten and rated at the inception of the policy. Any continuation, amendment or renewal of the policy is done based on the original underwriting and rating of the policy and the factors used at inception are carried forward. As such those factors cannot arbitrarily be removed at a later date without wrecking havoc in the market.

Annual sales of long-term care insurance products have been declining for years. Long-term care insurance has been shown to be a sound financial tool to assist individuals to pay for and control their own long term care while reducing their dependency on the state for those needs. The long-term care insurance market is an extremely fragile market that needs more innovative solutions to keep the market viable. Placing arbitrary restrictions on the use of an actuarially sound rating factor will do nothing to aid or maintain a responsible Long-Term Care insurance market.

The IAC urges your rejection of HB 5363.